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Germany

Grain and Feed

Grain Crop Forecast at 47 MMT

2008

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Report Highlights:

FAS Germany forecasts a bigger grain crop of 47 MMT for Germany for 2008/09. Crop area is estimated to rise by 5.5 percent and yields are expected to be up by 10 percent. Due to the relatively low grain harvest in 2007 German grain prices continue to trend upward. Some processors are expected to get short later in the marketing year. Despite domestic high prices, there are reports of at least one shipment of German high protein wheat to the United States.

Includes PSD Changes: No
Includes Trade Matrix: No
Annual Report
Berlin [GM1]
[GM]

FAS GERMANY GRAIN CROP FORECAST AT 47 MMT

Mild temperatures during most of the recent winter months and sufficient rains during most of the vegetation period provide a good base for a bigger grain crop in Germany compared to the past two years. As of mid-February 2008, FAS Germany forecasts a total 2008/09 grain production of almost **47 MMT**, compared to 40.6 MMT in 2007/08. The increase is attributed to a 5.5 percent increase in crop area, mainly in winter wheat. Also average yields are expected to range 10 percent higher than in 2007/08. However, the forecast for 2008/09 still remains 4 MMT below the record harvest of 2004/05, which was planted on the same number of hectares.

Other German crop forecasters are currently a bit more reluctant to predict a very sizeable grain crop for 2008/09. The Raiffeisen Association (cooperatives association) forecasts a total German grain harvest of 45 MMT for 2008/09. The European Commission predicts a grain production of 44.2 MMT for Germany. The FAS Germany forecast is based on the fact that the relative share of high yielding winter grains is noticeably larger than in 2007 which technically increases the outlook for a larger production. Secondly, rains have been excessive during recent weeks saturating the soils. Most recent dry weather and forecast sunshine for the coming days provide the opportunity for the farmers to get on the fields for pesticide and fertilizer application. With regard to current high grain prices, it is likely that farmers will intensify their plant protection and fertilization efforts to achieve higher yields.

Since recent warm daytime temperatures already initiated the vegetation process, potential harsh frost can be of great risk to the crops. Despite this risk, there remains upward production potential for the 2008/09 grain crop in Germany.

Area data remain unchanged from the last GAIN report GM8005.

German Grain Crop Forecast

	2006			2007			2008		
	Area	Yield	Prod.	Area	Yield	Prod.	Area	Yield	Prod.
	1000ha	MT/ha	1,000MT	1000ha	MT/ha	1,000MT	1000ha	MT/ha	1,000MT
Winter Wheat	3,058	7.24	22,128	2,969	6.99	20,742	3,150	7.5	23,690
Spring Wheat	44	5.33	238	29	5.04	147	30	5.3	159
Durums	12	5.29	62	8	5.02	38	10	5.1	51
All Wheat	3,115	7.20	22,428	3,005	6.96	20,927	3,190		23,900
Rye	539	4.91	2,644	674	4.02	2,712	750	5.5	4,130
Winter Barley	1,483	6.37	9,451	1,437	5.82	8,360	1,430	6.5	9,295
Spring Barley	542	4.64	2,516	496	4.27	2,119	570	4.8	2,756
All Barley	2,025	5.91	11,967	1,933	5.42	10,479	2,000		12,051
Oats	184	4.52	830	175	4.12	723	190	4.5	849
Spring Mixed	25	4.10	102	21	3.75	78	20	4.3	86
Winter Mixed	9	5.11	47	10	4.68	49	10	5.1	51
Triticale	405	5.53	2,237	381	5.40	2,057	385	5.8	2,233
All	439	5.44	2,385	412	5.30	2,183	415		2,370
Corn	401	8.03	3,220	383	9.29	3,560	400	9.0	3,600
Grand Total	6,702	6.49	43,475	6,583	6.17	40,584	6,945	6.8	46,900

GERMAN PRODUCER PRICES FOR GRAIN CONTINUE TO INCREASE

The table below showing the price developments for the major grains and oilseeds indicates that grain prices have increased at a faster rate than oilseeds in Germany during the past 2-3 years. Farmers increased grain production area partly at the expense of rapeseed area, see also GAIN reports GM8005 and GM7049.

German Producer Prices Monthly Averages in Euro / Ton

	Bread Wheat	Feed Barley	Rape Seed
Jun-05	95.63	96.72	191.03
Jun-06	109.90	99.75	228.57
Jun-07	145.24	140.50	254.27
Aug-07	200.41	183.96	294.64
Oct-07	229.73	218.47	333.71
Dec-07	224.21	213.52	365.01
Jan 16, 08	244.58	224.96	408.66
Feb 6, 08	251.50	243.75	432.00

Source: ZMP

The grain processing industry reports that some of the companies, particularly in Southern Germany, are at risk of facing supply shortages for the period between April and harvest. Farmers are currently reluctant to sell remaining grains since prices continue to trend upward.

Since many farmers in the summer of 2007 sold major portions of their crop shortly after the harvest at comparatively low prices they are at the moment reluctant to conclude forward contracts for new crop supplies. They are speculating for even higher prices. Currently elevators and processors have offered wheat contracts at about €220/MT. The August 2008 wheat future at the Hannover Exchange sold at €230/MT on Feb 12. Spot prices for wheat in early February are said to have reached the record level of €300/MT.

SHIPMENTS OF GERMAN WHEAT TO THE UNITED STATES CIRCULATE

According to German grain merchants, there are rumors in the market that between 20,000 to 25,000 MT of high protein wheat has been sold for nearby delivery to buyers in the United States. However, details of the shipment can not be confirmed. If this is the case, a furthering tightening of the internal German grain market in coming weeks is likely.

Previous GAIN Reports		
GM8005	Grain Prices and Crop Development	01/22/2007
GM7049	Farmers Plant Less Rapeseed	11/13/2007
GM7048	German Grain Outlook	11/05/2007